

# I ndiana Deferred Compensation Committee

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# MINUTES PUBLIC MEETING TUESDAY, FEBRUARY 18, 2005 10:00 AM INDIANA GOVERNMENT CENTER SOUTH TRAINING CONFERENCE ROOM 2

### I. Call to Order

The meeting was called to order by Jeff Heinzmann.

### II Roll Call

Ryan Kitchell, Jeff Heinzmann, Tim Berry, Judy Rhodes, and John Lentz were present. New members Ryan Kitchell (Governor's appointee) and the Honorable Tim Berry (Treasurer's appointee) were introduced.

### III. Reading of the Minutes

Minutes from the November 18, 2004 meeting were presented for approval. Judy Rhodes moved that the minutes be amended under "XI. New Business" at the second paragraph, second to last line, to include "and the feasibility of a benefit sensitive distribution fee structure." John Lentz seconded and the motion was approved unanimously. Jeff Heinzmann moved to adopt and approve minutes for the November 18, 2004 public meeting as amended. Judy Rhodes seconded the motion and minutes were approved unanimously.

### IV. Secretary's Report

Jeff Heinzmann distributed a list (copy attached) of new local subdivisions for the quarter.

### V. Administrator's Report

State Auditor Connie Nass, reported that Great-West Retirement Services (Great West) was selected as the new third party administrator. The Auditor thanked ING for its service to the plans.

Auditor Nass gave brief overview of Great-West's attributes, mentioning among them Great-West's experience as well as the benefit of their existing relationship with the State. She introduced Duane Jeffers, Regional Vice President of Great-West.

Mr. Jeffers outlined his role in the transition process. He provided a general timeline for the transition, descriptions of educational materials that participants would be receiving as well as participant/Great-West meeting opportunities.

Committee members then presented questions to Great West concerning black out period, and the hiring of a new local manager.

### VI. Report of the Third Party Administrator

Lesa Williamson thanked Auditor Nass, the Auditor's staff, and Great-West, commenting on how well Great-West and ING were working together on the transition.

### VII. Report re Indiana Stable Value Fund

John Finnegan of Delaware Investments Advisors presented the quarterly Indiana Stable Value Fund (ISVF) report to the Committee.

Ryan Kitchell pointed out that 50% of the Delaware portion of the ISVF is invested in mortgage related investments, and asked whether Delaware would be looking at changes in the future given the downward trend in housing markets. John Finnegan responded that Delaware had already taken the trend into account as was reflected in the reduction in certain mortgage related investments.

### **VIII.** Report of Mellon Consultants

Don Eibsen presented the Committee with the Mellon quarterly report detailing the performance of the funds, with attention given to Wells Fargo Large Co. Growth Fund and Brown Capital Management Small Co. Fund. AllianceBernstein Growth & Income's performance was also discussed, all three funds indicating some level of poor performance under the terms of section XIV of the Investment Policy Statement.

After Don Eibsen finished with his report, Tim Berry asked what the requirements for watch list were and asked whether a search report had been done on these three funds. Don Eibsen stated that a search report was not ready for presentation to the Committee; however an RFP could be turned around quickly. Tim Berry asked if this meant that a search had not been done. Don Eibsen accounted that he was awaiting the change in Committee members. It was then verified per November 18, 2004 meeting minutes that in fact the Committee had requested that a search be done. Don Eibsen further defended that he was not certain that the February 18, 2004 meeting date would have been adequately timed to proceed with RFP. Jeff Heinzmann pointed out that the Committee is able to call a special meeting for this kind of activity, and that it is the Committee's fiduciary responsibility to do so when necessary. He added that the Committee looks to its consultant to provide such necessary information, and not to hold it because the consultant thinks a change in the Committee might come or a meeting might be difficult to schedule. Judy Rhodes also expressed concern that three meetings have now passed and no action has been taken concerning these three funds even though about 22% of participant assets are held in these funds.

Tim Berry inquired about past concerns with AllianceBernstein and the past Committee's decision to keep them. Jeff Heinzmann provided details to the Committee concerning the

performance and watch history of AllianceBernstein over the past few years. Don Eibsen discussed AllianceBernstein's management changes.

The Committee then focused discussion on the timing associated with putting out RFPs to replace these funds and whether two or three would be put forth. Tim Berry raised the question of how RFPs are distributed. Don Eibsen stated that it is Mellon's practice to draw from history, data base, etc., and that the Committee in the past has allowed Mellon to make to four to five final selections in preparing its report to the Committee. However, all responses are forwarded to committee members. The Committee decided that RFPs would be issued for the Small Cap Growth (Brown) and Large Cap Growth (Wells Fargo) options.

Mellon will put RFPs together and have them to Committee for review no later than February 28, 2005. After Committee approval they will be posted in Indiana publications as well as online with NAGDCA and Pensions & Investments. The RFPs will go out by mid-March with responses ready for Committee review by March 25, 2005. Meeting dates will be set as the search progresses.

There was also discussion concerning the analysis that Mellon provides. Ryan Kitchell questioned whether the expense ratios accounted for retail versus omnibus clients. He also stated he would like to see more detailed reporting on the factors responsible for over or under performance of Funds versus their peer groups, as Delaware does with the ISVF. Don Eibsen stated that Mellon's system was not the same as Delaware's, but would attempt to provide a more detailed report at a later date. John Finnegan suggested that Mellon show the Stable Value Fund components separately using 3-year historical data. Ryan Kitchell felt this would help distinguish the real drivers of fund performance.

### IX. Report of Counsel

Mary Beth Braitman filed a follow up with the Internal Revenue Service on February 17 regarding the Volume Submitter. She received a formal position just two weeks ago and believes the Internal Revenue Service intends to move quickly.

### X. Old Business

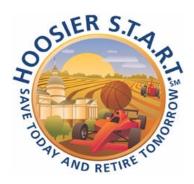
Jeff Heinzmann reminded the Committee that the Investment Policy Statement was approved in May 2004, and that the time for an annual review is approaching. No other old business.

### XII. New Business

The Committee's tentative date for the second quarter meeting of May 19 was discussed as not feasible. Jeff Heinzmann will contact committee members to set a new date.

### XIII. Adjournment

Jeff Heinzmann adjourned the meeting.



## Indiana Deferred Comp Matching Plan Add Ons 11/16/04-2/18/05

11/16/04 Town of Georgetown 401a

12/15/04 Town of Morristown 457b

Rushville Public Library 457b

Sullivan County Public Library 457b

Salem Washington Township Public Library 457b

Ohio County Public Library 457b

2/2/05 Greenwood Public Library 457b

Town of Kouts 401a

2/10/05 Dunkirk City Public Library 457b

Fort Wayne-Allen County Airport Authority 401a